

**MEDINA TOWNSHIP**  
**LENAWEE COUNTY, MICHIGAN**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name MEDINA TOWNSHIP	County LENAWEE
Fiscal Year End JUNE 30, 2006	Opinion Date NOVEMBER 15, 2006	Date Audit Report Submitted to State DECEMBER 4, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

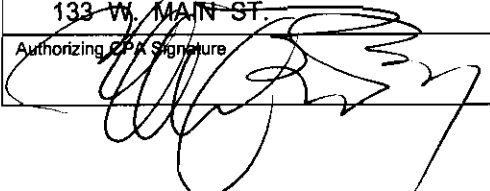
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R. RUBLEY, CPA	Telephone Number (517) 458-2274		
Street Address 133 W. MAIN ST.	City MORENCI	State MI	Zip 49256
Authorizing CPA Signature 	Printed Name PHILIP R. RUBLEY	License Number 9223	

**MEDINA TOWNSHIP  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**MEDINA TOWNSHIP**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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**Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Medina Township on a government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements, also slightly changed from prior years, follow the above-mentioned statements and illustrate how the services provided by the Township were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the Township's operations in more detail than the government-wide financial statements.

**Overview of the Financial Statements**

The Township's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS.** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Township maintains 1 individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

The Township adopts an annual appropriated budget for its general fund. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**FIDUCIARY FUNDS.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**MEDINA TOWNSHIP**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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**NOTES TO THE FINANCIAL STATEMENTS.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, health and welfare and community and economic development and other functions.

The government-wide financial statements include the primary government Medina Township and its component unit the East Lime Creek Cemetery.

**FUND FINANCIAL STATEMENTS.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories; governmental funds and fiduciary funds.

**GOVERNMENTAL FUNDS.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

#### **OTHER INFORMATION**

The Township has reported under required supplementation information, information about the General Fund, Expenditures and Changes in Fund Balances.

**MEDINA TOWNSHIP**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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**Medina Township**  
**Statement of Net Assets**

**Governmental**  
**Activities**

**2006**

**ASSETS**

Current Assets	\$212,777
Noncurrent Assets:	
Capital Assets	<u>20,522</u>
<b>Total Assets</b>	<b><u>\$233,299</u></b>

**LIABILITIES**

Accounts Payable	<u>\$ 35,506</u>
<b>Total Liabilities</b>	<b><u>35,506</u></b>

**NET ASSETS**

Invested in Capital Assets	20,522
Unrestricted	167,104
Restricted for Roads and Bridges	<u>10,167</u>
<b>Total Net Assets</b>	<b><u>\$197,793</u></b>

The Township's combined net assets increased 30.1 percent from a year ago. Increasing by \$45,769.

**MEDINA TOWNSHIP**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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**Statement of Government-Wide Activities**

**Governmental**  
**Activities**

**2006**

**REVENUE**

Program Revenue:	
Charges for Services	\$ 15,685
Metro-Act	4,405
General Revenue:	
Property Taxes	172,204
Intergovernmental	85,836
Interest	<u>3,460</u>
<b>Total Revenue</b>	<u>281,590</u>

**PROGRAM EXPENSES**

General Government	58,294
Public Safety	32,519
Public Works	131,128
Community & Economic Development	1,640
Other Functions	<u>12,250</u>
<b>Total Program Expenses</b>	<u>235,831</u>

<b>Change in Net Assets</b>	45,759
<b>Net Assets – Beginning of Year</b>	<u>152,034</u>
<b>Net Assets – End of Year</b>	<u>\$197,793</u>

**MEDINA TOWNSHIP**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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**Governmental Activities**

The Township's expenses remained fairly constant with a slight increase in the highways and bridges section.

**The Township's Funds**

Our analysis of the Township's major funds begins on Page 9. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purpose as well as show accountability for certain activities. The Township's major fund for 2006 is the General Fund.

**General Fund Budgetary Highlights**

Over the course of the year, the Township administration and Township Board monitor the budget to take into account unanticipated events that occur during the year. There were no significant events affecting the budget.

**Capital Asset and Debt Administration**

At the end of 2006, the Township had \$43,427 invested in capital assets, including land, buildings, and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law.

**Economic Factors and Next Year's Budget and Rate**

Medina Township is in rural Lenawee County, Michigan a farm community. Anticipated property tax increases and growth are not expected. In addition, State revenue sharings, which represents 30.5 percent of the General Fund budget, is likely to decrease, because of the State's current economic state. This will require close tabs on expenditures for the upcoming year. Adjustments will be made to mirror the revenue base, ensuring the continuation of the trend of excess revenues over expenditures.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 12284 Ingall Hwy., Morenci, Michigan 49256.



# PHILIP R. RUBLEY

– Certified Public Accountant –

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'S  
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

November 15, 2006

**Board of Trustees  
Medina Township  
Lenawee County, Michigan**

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Medina Township, Lenawee County, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

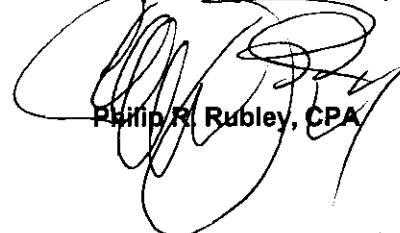
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Medina Township, Lenawee County, Michigan as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 5 and 21 through 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Medina Township, Lenawee County, Michigan basic financial statements.

Respectfully Submitted,



Philip R. Rubley, CPA

**MEDINA TOWNSHIP**  
**Government Wide Statement of Net Assets**  
**June 30, 2006**

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>East Lime Creek Cemetery</u>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$205,960	\$2,262
Property Tax Receivable	686	---
Accounts Receivable	990	---
Prepaid Expenses	5,141	---
Capital Assets -		
Non-Depreciated	1,000	5,000
Capital Assets -		
Net of Depreciation	<u>19,522</u>	<u>---</u>
<b>Total Assets</b>	<u>\$233,299</u>	<u>\$7,262</u>
<b><u>LIABILITIES</u></b>		
Accounts Payable	<u>\$ 35,506</u>	<u>\$ ---</u>
<b>Total Liabilities</b>	<u>\$ 35,506</u>	<u>\$ ---</u>
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets	\$ 20,522	\$5,000
Unrestricted	167,104	2,262
Restricted for Roads and Bridges	<u>10,167</u>	<u>---</u>
<b>Total Net Assets</b>	<u>\$197,793</u>	<u>\$7,262</u>

**MEDINA TOWNSHIP**  
**Government Wide Statement of Activities**  
**Year Ended June 30, 2006**

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		<u>Program Revenues</u>		
		<u>Charges For Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue</u>
<u>FUNCTIONAL PROGRAMS</u>	<u>Expenses</u>			
Governmental Activities:				
General Government	\$ 58,294	\$ 8,660	\$ ---	\$ (49,634)
Public Safety	32,519	7,025	---	(25,494)
Public Works	131,128	---	4,405	(126,723)
Community and Economic Development	1,640	---	---	(1,640)
Other Functions	<u>12,250</u>	<u>---</u>	<u>---</u>	<u>(12,250)</u>
 <b>Total Governmental         Activities</b>	 <b>\$235,831</b>	 <b>\$15,685</b>	 <b>\$4,405</b>	 <b>\$ (215,741)</b>
 <b>Change in Net Assets</b>				 \$ (215,741)
General Revenues:				
Property Taxes				172,204
Intergovernmental Revenues				85,836
Interest Income				<u>3,460</u>
 <b>Total General Revenues</b>				 <b><u>261,500</u></b>
 <b>Change in Net Assets</b>				 <b>45,759</b>
 <b>Net Assets, Beginning of Year</b>				 <b><u>152,034</u></b>
 <b>Net Assets, End of Year</b>				 <b><u>\$ 197,793</u></b>

**MEDINA TOWNSHIP**  
**Governmental Fund Balance Sheet**  
**June 30, 2006**

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	<b><u>General Fund</u></b>	<b><u>Total Governmental Funds</u></b>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$205,960	\$205,960
Taxes Receivable -		
Personal Property	686	686
Pre-Paid Expenses	5,141	5,141
Accounts Receivable	<u>990</u>	<u>990</u>
<b>Total Assets</b>	<b><u>\$212,777</u></b>	<b><u>\$212,777</u></b>
 <b><u>LIABILITIES</u></b>		
Accounts Payable	\$ 35,506	\$ 35,506
Deferred Revenue	<u>686</u>	<u>686</u>
<b>Total Liabilities</b>	<b><u>36,192</u></b>	<b><u>36,192</u></b>
 <b><u>FUND BALANCE</u></b>		
Unreserved		
Undesignated	166,418	166,418
Reserved Roads and Bridges	<u>10,167</u>	<u>10,167</u>
<b>Total Fund Balance</b>	<b><u>176,585</u></b>	<b><u>176,585</u></b>
 <b>Total Liabilities and Fund Balance</b>	<b><u>\$212,777</u></b>	<b><u>\$212,777</u></b>

**MEDINA TOWNSHIP**  
**Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds**  
**to Net Assets of Governmental Activities on the Statement of Net Assets**  
**For The Year Ended June 30, 2006**

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<b>Fund Balances – Total Governmental Funds</b>	\$176,585
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**Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:**

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in  
the funds.

ADD - Capital Assets	43,427
DEDUCT - Accumulated Depreciation	(22,905)

Deferred revenue - reflected as earned in net assets of governmental activities	<u>686</u>
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<b>Net Assets of Governmental Activities</b>	<u><b>\$197,793</b></u>
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**MEDINA TOWNSHIP**  
**Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For The Year Ended June 30, 2006**

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	<b><u>General Fund</u></b>	<b><u>Total Governmental Funds</u></b>
<b><u>REVENUES</u></b>		
Property Taxes	\$171,518	\$171,518
Licenses and Permits	7,025	7,025
Intergovernmental	85,836	85,836
Charges for Services	8,610	8,610
Interest and Penalties	3,460	3,460
Other	<u>4,455</u>	<u>4,455</u>
<b>Total Revenues</b>	<u>280,904</u>	<u>280,904</u>
<b><u>EXPENDITURES</u></b>		
Current		
General Government	57,689	57,689
Public Safety	32,519	32,519
Public Works	131,128	131,128
Community & Economic Development	1,640	1,640
Other Functions	<u>12,250</u>	<u>12,250</u>
<b>Total Expenditures</b>	<u>235,226</u>	<u>235,226</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	45,678	45,678
<b>Fund Balance, Beginning of Year</b>	<u>130,907</u>	<u>130,907</u>
<b>Fund Balance, End of Year</b>	<u>\$176,585</u>	<u>\$176,585</u>

**MEDINA TOWNSHIP**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For The Year Ended June 30, 2006**

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<b>Net Change in Fund Balances – Total Governmental Funds</b>	<b>\$45,678</b>
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**Amounts Reported for Governmental Activities in the  
Statement of Activities are Different Because:**

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

DEDUCT - Depreciation Expense	(605)
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Deferred revenue	<u>686</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$45,759</u></b>
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**MEDINA TOWNSHIP**  
**Fiduciary Funds – Statement of Net Assets**  
**June 30, 2006**

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	<b>Tax Collection Fund</b>
<b><u>ASSETS</u></b>	
Cash	<u>\$24,687</u>
<b>Total Assets</b>	<u>\$24,687</u>
<b><u>LIABILITIES</u></b>	
Due to Other Governmental Units	<u>\$24,687</u>
<b>Total Liabilities</b>	<u>\$24,687</u>



**MEDINA TOWNSHIP**  
**Notes to Financial Statements**  
**June 30, 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Medina Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Medina Township.

**A. Reporting Entity**

Medina Township is governed by an elected board. The accompanying financial statements present the government and its component unit for which government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statement.

Discretely Presented Component Unit - The East Lime Creek Cemetery was created as a separate legal entity. The purpose of the East Lime Creek Cemetery is to maintain and protect the cemetery for use by local residents, etc. The Township approves the activities of the cemetery. Any borrowings, etc. must be approved by the Township. Separate financial statements for the component unit are not available.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Medina Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental fund are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and

**MEDINA TOWNSHIP**  
**Notes to Financial Statements**  
**June 30, 2006**

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expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental revenue fees and licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following fund types:

The Fiduciary Funds account for assets held for other governments in an agency capacity, including tax collection, and other project funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government - wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government -wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**MEDINA TOWNSHIP**  
**Notes to Financial Statements**  
**June 30, 2006**

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**D. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and any possible contingent assets and liabilities as of the financial statement date. Actual results could differ from these statements.

**E. Assets, Liabilities, and Net Assets or Equity**

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."
3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.
4. **Capital Assets** – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

**MEDINA TOWNSHIP**  
**Notes to Financial Statements**  
**June 30, 2006**

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5. **Fund Equity** – In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted for use for a specific purpose. Medina Township currently has a road and bridge millage restricted for road and bridge work. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

- A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles accepted in the United States of America (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of June of each year, the Board presents the proposed budget for review and holds public hearings and a final budget adopted.

The appropriated budget is prepared by fund, function and department.

The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted at the object level. No significant adjustments were made to the budget.

- B. **Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2006, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

There were no excess of amounts appropriated for the year ended June 30, 2006.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

The government unit's deposits and investment policy are in accordance with statutory authority.

At year-end the government's deposits and investments were reported in the basic financial statements in the following categories:

	<b><u>Governmental Activities</u></b>
Cash, Certificates of Deposit	\$232,909

The checking account balance is insured by federal depository insurance of \$102,262.

**MEDINA TOWNSHIP**  
**Notes to Financial Statements**  
**June 30, 2006**

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

	<u>Category</u>				<u>Carrying Amount (Fair Value)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Uncategorized</u>	
Cash and Cash Equivalents	<u>\$102,262</u>	<u>\$130,647</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$232,909</u>

The above amounts include the component unit cash of the East Lime Creek Cemetery of \$2,262 and tax collection fund cash of \$24,687.

**NOTE 4 – RECEIVABLES**

Receivables as of year-end for the government are as follows including applicable allowances for uncollectible accounts.

	<u>General Fund</u>
Taxes Receivable	\$ 686
Non-Business Permits	<u>990</u>
	<u>\$1,676</u>

**MEDINA TOWNSHIP**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 5 – CAPITAL ASSETS**

<b>Governmental Activities</b>	<b><u>Beginning Balance</u></b>	<b><u>Increase</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital Assets				
Not Being Depreciated:				
Land	<u>\$ 1,000</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 1,000</u>
Capital Assets				
Being Depreciated:				
Building	<u>35,680</u>	<u>---</u>	<u>---</u>	<u>35,680</u>
Equipment	<u>6,747</u>	<u>---</u>	<u>---</u>	<u>6,747</u>
<b>Total Capital Assets     Being Depreciated</b>	<u>42,427</u>	<u>---</u>	<u>---</u>	<u>42,427</u>
Less Accumulated Depreciation For:				
Building	<u>(15,553)</u>	<u>(605)</u>	<u>---</u>	<u>(16,158)</u>
Equipment	<u>(6,747)</u>	<u>---</u>	<u>---</u>	<u>(6,747)</u>
<b>Total Accumulated     Depreciation</b>	<u>(22,300)</u>	<u>(605)</u>	<u>---</u>	<u>(22,905)</u>
<b>Total Capital     Assets, Being     Depreciated, Net</b>	<u>20,127</u>	<u>(605)</u>	<u>---</u>	<u>19,522</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$21,127</u>	<u>\$ (605)</u>	<u>\$ ---</u>	<u>\$ 20,522</u>

Depreciation expense was charged to Governmental Activities - general government for \$605 at June 30, 2006.

**NOTE 6 – RISK MANAGEMENT**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the government carried insurance through commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from those risks that exceeded its coverage in any of the past three fiscal years.

**MEDINA TOWNSHIP**  
**Notes to Financial Statements**  
**June 30, 2006**

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**NOTE 7 – PROPERTY TAXES**

The government's property taxes are levied each year, on the taxable valuation of property located within the township. These taxes are due by February 14, with final collection date of February 28, before they are added to the county tax rolls.

Delinquent real property taxes are reimbursed to the local unit through a county revolving tax fund.

The township levies of \$31,616. Additional assessment for Advance Life Support of \$36,600, and for Roads and Bridges of \$140,110.

**NOTE 8 – PENSION**

The government has no pension, and has elected to be inclusive in the social security system.

**NOTE 9 – OTHER INFORMATION**

**Risk Management**

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the government carried insurance through commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**MEDINA TOWNSHIP**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2006**

	<u>Budget Original</u>	<u>Amounts Final</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b><u>BEGINNING OF YEAR</u></b>				
<b><u>FUND BALANCE</u></b>				
Resources (Inflows)	\$121,403	\$121,403	\$130,907	\$ 9,504
Property Taxes	172,151	172,151	171,518	(633)
Intergovernmental	86,525	86,525	85,836	(689)
Licenses and Permits	5,600	5,600	7,025	1,425
Charge for Services	9,100	9,100	8,610	(490)
Interest	601	601	3,460	2,859
Other	---	---	4,455	4,455
<b>Total Available For Appropriation</b>	<u>395,380</u>	<u>395,380</u>	<u>411,811</u>	<u>16,431</u>
<b><u>CHANGES TO</u></b>				
<b><u>APPROPRIATIONS (Outflows)</u></b>				
<b>General Government:</b>				
Township Board	7,954	7,954	6,615	1,339
Supervisor	9,128	9,128	8,481	647
Elections	1,500	1,500	---	1,500
Professional Fees	4,000	4,000	395	3,605
Clerk	13,150	13,150	12,648	502
Treasurer	15,631	15,631	14,969	662
Board of Review	1,567	1,567	685	882
Township Hall	3,300	3,300	1,709	1,591
Assessor	9,001	9,001	8,689	312
Cemetery	3,507	3,507	3,498	9
<b>Total General Government</b>	<u>68,738</u>	<u>68,738</u>	<u>57,689</u>	<u>11,049</u>
<b>Public Safety:</b>				
Inspections	5,640	5,640	5,041	599
Fire	29,228	29,228	27,478	1,750
<b>Total Public Safety</b>	<u>34,868</u>	<u>34,868</u>	<u>32,519</u>	<u>2,349</u>
<b>Public Works:</b>				
Drains	2,500	2,500	1,359	1,141
Highways & Bridges	270,341	270,341	129,769	140,572
<b>Total Public Works</b>	<u>272,841</u>	<u>272,841</u>	<u>131,128</u>	<u>141,713</u>



**MEDINA TOWNSHIP**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2006**

	<u>Budget Original</u>	<u>Amounts Final</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Community &amp; Economic Development:</b>				
Zoning Board	<u>2,338</u>	<u>2,338</u>	<u>1,640</u>	<u>698</u>
<b>Total Community &amp; Economic Development</b>	<u>2,338</u>	<u>2,338</u>	<u>1,640</u>	<u>698</u>
 <b>Other Functions</b>	 <u>16,595</u>	 <u>16,595</u>	 <u>12,250</u>	 <u>4,345</u>
 <b>Total Changes to Appropriations</b>	 <u>395,380</u>	 <u>395,380</u>	 <u>235,226</u>	 <u>160,154</u>
 <b>End of The Year Fund Balance</b>	 <u>\$ ---</u>	 <u>\$ ---</u>	 <u>\$176,585</u>	 <u>\$176,585</u>

# PHILIP R. RUBLEY

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MEMBERS OF  
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**November 15, 2006**

**Township Board  
Medina Township  
Lenawee County, Michigan**

We have examined the combined financial statements of the Medina Township, Lenawee County, Michigan as of and for the year ended June 30, 2006, and have issued our report thereon dated November 15, 2006.

As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the

estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended June 30, 2006, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Such study and evaluation disclosed the following conditions which we consider to be material weaknesses for which corrective action by the management of Medina Township is recommended:

**1. MAINTENANCE OF FIXED ASSETS**

The Township needs to maintain records of additions and disposals of fixed assets each year, and keep data supporting assets to be depreciated over the \$1,000 threshold approved.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated November 15, 2006, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Sincerely Yours,



Philip R. Rubley  
Certified Public Accountant